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PRODUCTION FOR VICTORY THE AGRICULTURAL SITUATION



JANUARY 1942

A Brief Summary of Economic Conditions

Issued Monthly by the Bureau of Agricultural Economics, United States Department of Agriculture

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ENTRY OF THE UNITED STATES into World War II puts new responsibilities on American agriculture. Food becomes a major need for victory . . . food in abundance for us and our Allies . . . food in increasing volume of shipments over-seas. * * * Assurance is, in Food-for-Victory campaigns, that 6 million farm families . . . more than 30 million farm people in the United States . . . are all-out to supply food in plenty to win this War. Some foods—wheat and feed grains for cereals and the production of livestock products—already are in national abundance. Other foods—milk and manufactured dairy products, poultry and eggs, meats, and vegetables—are in continuously increasing production. Much more of these foods is needed in 1942. * * * Farm lands are in unusually good condition as result of conservation programs in recent years. Granted good weather in 1942 the volume of crop and livestock products will surpass all previous records. Food production goals are to this end.

Commodity Reviews

PRODUCTION: Goals

FARM production goals for 1942 are being reexamined by Department of Agriculture officials to determine the additional adjustments needed in view of the entry of the United States into World War II. Farmers' reports of production plans for 1942 are being analyzed in relation to domestic consumer requirements, Lend-Lease exports, and the accumulation of food reserves.

Early returns in the Food-for-Freedom campaign indicate that total food production in 1942 will be the largest in our Nation's history. It is not yet clear whether the cattle slaughter goal of 28 million head of cattle and calves will be reached, but in the case of some other commodities—notably the production of eggs—returns from some areas show increases beyond the goals set last Autumn. Hog slaughter may exceed the goals by about 5 percent.

Supplies of feed grains are the largest in 20 years, but the number of feed-consuming animals is also of near-record proportions. To produce the increased quantities of meats, milk, eggs, and other livestock products sought in 1942 will require the consumption not only of all feed grains produced in 1941, but of some stocks from the Ever-Normal Granary as well. Stocks in the Ever-Normal Granary constitute a strong bulwark of defense—and victory.

CONSUMPTION: Up

Food consumption—total and per capita of the population—in the United States is the largest on record. The total includes cereals, meats, fish, poultry and eggs, dairy products, fats and oils, vegetables, sugar, and fruits. Production is increasing; buying power of consumers is the best on record. Consumption has been stimulated also by Government aids to low-income

groups and to school children—by means of Food Stamp, School Lunch, and Low-Cost Milk Programs.

Secretary Wickard announced at year's end that since we have on hand the largest total supplies of food in the history of the United States, "there is little excuse for any substantial increase in the price of agricultural commodities at this time." The Secretary added: "We have large supplies of feeds in our Ever-Normal Granary and the productive capacity on our farms to add to our food supply on an unprecedented scale."

PRICES: Up

Prices of farm products begin the new year at the best general levels in a decade or more. Costs of production also are the highest for this period. Both prices received and prices paid by farmers are expected to rise in 1942. The increase in prices received may not be as much as it was in 1941 (ceilings are being established on a number of commodities), but the average of prices received times increased production is expected to yield farmers a considerably larger cash income than in 1941. The rise in costs of production may be larger than it was in 1941, but not in total sufficient to offset the gain in cash income from marketings of farm products.

Average of prices received by farmers in 1941 was 122 percent of the 1909-14 base period; average of prices paid was 132 percent of the base period. Purchasing power of farm products was 92 percent of the base period, as compared with 80 in 1940, 77 in 1939, 93 in 1937, and 95 in 1929.

INCOME TAX: Returns

More than 2,000,000 farmers will be required to file Federal tax returns this year on 1941 income. Requirement is that all single persons having

gross income of \$750 or more, and married persons having gross income of \$1,500 or more, must file an income tax return. Gross income includes all the receipts of the farmer from both farm and nonfarm sources; it includes, also, the value of merchandise re-

ceived in exchange for farm products. It does not include the value of food produced and consumed on the home farm. Returns for the 1941 calendar year must be filed with the collector of internal revenue not later than March 15, 1942.

Index Numbers of Prices Received and Paid by Farmers

[1910-14=100]

Year and month	Prices received	Prices paid	Buying power of farm products ¹
1940			
December.....	101	123	82
1941			
January.....	104	123	85
February.....	103	123	84
March.....	103	124	83
April.....	110	124	89
May.....	112	125	90
June.....	118	128	92
July.....	125	² 139	² 97
August.....	131	² 133	² 98
September.....	139	² 136	² 102
October.....	139	139	100
November.....	135	141	96
December.....	143	143	100

¹ Ratio of prices received to prices paid.

² Revised.

LABOR: Winter's Needs

A farm labor force of about 9 million will be busy this winter producing the milk, the eggs, the truck crops, and other foods needed for us and for Britain. About a fourth of this number will be hired workers, the remainder farm family workers. Wages to farmhands are the highest in years; these wages plus food and housing compare favorably with the net returns from industrial employment.

The farm pay roll in 1941 was close to 1 billion dollars, since farm wage rates increased about 30 percent during the year, and about the same number of wage hands were employed as in 1940. The farm pay roll will be bigger this year, as the demand for workers increases to produce the high record

Prices of Farm Products

Estimates of average prices received by farmers at local farm markets based on reports to the Agricultural Marketing Service. Average of reports covering the United States weighted according to relative importance of district and States]

Product	5-year average, August 1909-July 1914	December average 1909-13	December 1940	November 1941	December 1941	Parity price December 1941
Cotton, lb.....cents..	12.4	12.2	9.33	15.78	16.23	17.86
Corn, bu.....do.....	64.2	57.7	54.5	63.7	66.9	92.4
Wheat, bu.....do.....	88.4	86.7	71.5	93.4	102.2	127.3
Hay, ton.....dollars..	11.87	11.99	7.53	8.71	9.43	17.09
Potatoes, bu. ¹cents..	69.7	62.3	² 54.7	77.4	82.7	101.3
Oats, bu.....do.....	39.9	38.3	² 32.3	41.1	45.2	57.5
Rice, bu.....do.....	81.3	79.2	79.2	120.4	143.9	117.1
Peanuts, lb.....do.....	4.8	4.6	3.22	4.61	4.79	6.91
Tobacco:						
Flue-cured, types 11-14, lb. ³ do.....	22.9	-----	12.1	24.2	-----	26.1
Fire-cured, types 21-24, lb. ¹ do.....	13.6	-----	8.5	-----	14.8	12.1
Burley, type 31, lb. ³ do.....	22.2	-----	17.3	-----	20.1	25.3
Maryland, type 32, lb. ¹ do.....	22.9	-----	² 9.6	25.0	25.0	20.4
Air-cured, types 35-37, lb. ¹ do.....	11.2	-----	7.6	-----	11.4	10.0
Cigar binder, types 41-55, lb. ¹ do.....	21.0	-----	10.0	23.4	27.1	18.7
Apples, bu.....dollars..	.96	.91	.86	.98	1.09	1.38
Beef cattle, cwt.....do.....	5.21	5.03	² 7.84	8.85	9.38	7.50
Hogs, cwt.....do.....	7.22	6.73	5.59	9.66	10.21	10.40
Chickens, lb.....cents..	11.4	10.6	13.0	15.5	15.8	16.4
Eggs, doz.....do.....	21.5	29.9	26.8	35.5	34.1	⁴ 38.4
Butterfat, lb.....do.....	26.3	29.9	34.8	36.7	36.0	⁴ 41.4
Wool, lb.....do.....	18.3	18.6	31.2	36.7	37.1	26.4
Veal calves, cwt.....dollars..	6.75	6.74	9.01	10.79	11.22	9.72
Lambs, cwt.....do.....	5.87	5.52	7.88	9.48	9.86	8.42

¹ Post-war base.

² Revised.

³ Base price, crop years 1934-38.

⁴ Adjusted for seasonality.

volume of commodities needed for us and for Britain.

The largest farm pay roll on record was 1.8 billion dollars in 1920, or more than double the outlay in the years immediately preceding World War I. The outlay averaged about 1.3 billion dollars a year during the 1920's, but dropped sharply to little more than 500 million during the depression of the early 1930's. Wages increased with farm income in succeeding years; total in 1940 was 750 million dollars.

DAIRY OUTPUT: Up

Milk production in 1942 is expected to set a new high record. Increase over 1941 will result from an increase in number of cows on farms, and probably heavier feeding. A total milk flow of 125 billion pounds is desired, as compared with 117 billion produced in 1941. Despite increased production, prices of dairy products are expected to average higher than in 1941, as domestic consumer buying power and Lend-Lease exports increase.

Expectation is that the production of butter will be smaller during the first half of 1942 than in the like period last year, but that production of cheese, evaporated milk, and dry skim milk will be larger. The Department of Agriculture recently announced that a total of 200 million pounds of dry skim milk is required in present goals for shipment to Great Britain under the Lend-Lease Act. This would be the equivalent of a 40 to 50 percent increase in production of dry skim milk this year over last.

During the summer of 1941 butterfat-feed price ratios were more favorable than a year earlier, but in subsequent months became less favorable. The butterfat-feed grain price ratio usually increases during the fall months, but there was not much change in the ratio in 1941. The butterfat-byproducts feed price ratio declined fairly steadily from May through the end of the year. But the ratio of prices paid by condenseries to

feed-grain prices increased during this period, and at year's end was considerably higher than a year earlier.

FATS, OILS: Big Demand

Fats and oils are in greatest demand in our Nation's history. Production in 1941 was the largest on record; further increases are sought for 1942. Producers are being urged especially to increase the production of soybeans and peanuts for oil. Prices of fats and oils are at high levels, and are likely to continue so for the duration. The Federal Government has established ceilings for wholesale prices of all fats and oils, except butter, at the level of prices prevailing on October 1, or 111 percent of prices on November 26, whichever is higher, with three-fourths of a cent added to the October 1 prices for linseed oil and soybean oil.

Estimates are that supplies of fats and oils from production, stocks, and probable imports will be enough to maintain domestic consumption and exports in 1942 at the 1941 level, even though imports of oilseeds and oils from the Pacific area are completely cut off. Domestic consumption of primary fats and oils was about 11 billion pounds in 1941. Consumption in 1940 was less than 10 billion pounds.

EGGS: Increase

Production and marketing of eggs are increasing seasonally; total is larger than at this time last year. Laying flocks average about 10 percent larger than at the beginning of 1941—an increase almost sufficient to reach the 1942 egg production goal of about 4 billion dozens even though the average rate of lay should be no larger than it was in 1941. Estimate also is that the production of chicken meat will be about 12 percent larger this year than last.

It is expected that more than 3 billion eggs will be produced this month, more than 3½ billion in February, more than 4½ billion in March, and more than 5 billion in April—peak

month of annual egg production. All these figures are higher than in corresponding months last year. And then during the months of seasonal decline in production—May through November—it is expected that production will be larger than at the same time last year.

The Department of Agriculture says that in addition to having hens of higher egg-laying capacity than in former years, farmers are increasing the size of their flocks as much as possible, and are giving these flocks exceptional care so as to maintain a maximum rate of egg output. Feed costs recently have been the highest since 1937, but feed-egg price ratios are more favorable to poultrymen than at the beginning of 1941. Production of hatchery chicks was reported 66 percent larger in November 1941 than a year earlier.

HOG GOALS: Exceeded

The 1941 fall pig crop was the largest on record—more than 35 million head as compared with 30 million in 1940, and with 27 million average during the 10 years 1930-39. The 1941 crop was larger than a year earlier in all regions and in nearly all States: East North Central, up 11 percent; West North Central, 30 percent; North Atlantic, 2 percent; South Atlantic, 3 percent; South Central, 20 percent; Western, 14 percent. The number of pigs saved per litter—6.43—was the largest on record.

The number of sows to farrow in the spring of 1942 has been indicated at nearly 10 million, compared with 7.8 million a year earlier, and with 7.6 million average in 1930-39. Assuming litters equivalent in size to the average of the last 5 years, the spring pig crop of 1942 may total 62 million head. This would be the largest spring pig crop on record. It compares with 50 million head in each of the last 2 years.

Secretary Wickard announced in December that "American farmers will exceed the 1942 Food-for-Freedom

hog production goals, thereby virtually assuring ample pork and pork products next year for the United States, Great Britain, and other nations resisting aggression. The December report shows that the pig crop in 1942 may reach 97 million head—on the basis of a spring crop of 62 million and a fall crop of 35 million—larger by 10 million head than any other pig crop on record. After allowing for normal death losses, a pig crop of this size would permit farmers to exceed by 5 percent their 1942 marketing goals of a little over 79 million head."

LAMBS: Record

Total number of sheep and lambs fed this season is expected to set a new high record. Increases in feeding in Colorado, Montana, Utah, and several Western Corn Belt States are expected to more than offset decreases in other regions.

In Texas, the number of lambs on wheat pastures and to be grain fed is larger than a year ago; shipments during January and February may exceed those of a year earlier. Government livestock specialists point out, however, that because of the relative high price of wool, many lambs may be carried over and shorn this spring.

Forecast is that United States total slaughter supplies of sheep and lambs during late winter and early spring will be a little larger than in the same months of 1941.

CATTLE: On Feed

Government livestock specialists look for relatively large shipments of cattle to Corn Belt feed lots this winter, following reduced shipments last fall, but they estimate that the total for the 1941-42 feeding season will be smaller than in 1940-41. Offset in part will be the feeding of a larger number of cattle raised in the Corn Belt. Total numbers fed will be smaller than in 1940-41; the proportion of well-finished cattle in slaughter supplies this year is likely to be smaller than in 1941.

At year's end it was reported that cattle and calves in the Range States were going into the winter in the best condition in many years. Range feed conditions have been exceptionally good; the large calf crop of 1941 is reported as having developed well. Reports from the Range States indicated that the fall movement of cattle was smaller than during the fall of 1940, because of large supplies of range forage and other feeds.

A large movement of cattle to Kansas wheat pastures was reported at year's end. Movement of Texas cattle into the Plains section of Texas was much larger than in 1941; but the movement of cattle out of that section has been smaller than a year earlier.

FRUITS: Good Year

This should be a relatively good year for fruit growers. Producers of deciduous fruits have had to market larger crops this season than last, but prices have been better as result of a higher level of consumer demand and increased purchases of fruit by the Department of Agriculture. December forecast was for a smaller total of citrus production (more oranges, but fewer grapefruit and lemons) this season than last, and a higher level of prices. Probability is that a larger proportion of the citrus crops will be canned or otherwise processed this season.

Government fruit specialists look for about the same total of fruit production in 1942 as in 1941, with a generally smaller output of deciduous fruits probably offset by a larger production of citrus. They say that on the basis of the trend in bearing tree numbers, alternate bearing characteristics, and good care of orchards, normal growing conditions in 1942 would result in a smaller production of apples, peaches, pears, plums, and prunes, but a larger output of apricots, cherries, grapes, strawberries, oranges, grapefruit, and lemons than in 1941.

The long-time outlook, based on changes in the number of trees of bearing age, is for a moderate increase in the rate of fruit production during the next few years. Production of apples and of prunes for drying is expected to continue to decline, but a further slight expansion is indicated for citrus fruits, peaches, pears, cherries, plums and fresh prunes, and grapes.

VEGETABLES: Increase

Increased plantings of vegetables are reported in prospect for 1942, as result of generally higher prices in 1941. Outlook is for an increase in acreages of potatoes, sweetpotatoes, and truck crops (both for market and for processing). National goals call for an increase of nearly 5 percent in plantings of potatoes, of 1 percent in sweetpotatoes, about 5 percent in truck crops for market, and 25 percent (revised) in acreage of truck crops for processing. No change in acreage of dry edible beans is indicated.

Supplies of potatoes smaller than a year earlier, but larger supplies of sweetpotatoes and canned vegetables, are expected to be available for marketing during the first half of this year. Production of processing vegetables set a new high record in 1941, and the pack of canned vegetables and products is substantially larger this season than last. Production of 11 truck crops—asparagus to tomatoes—for processing totaled nearly 5 million tons in 1941, compared with 4 million in 1940.

Prices of truck crops generally are about 50 percent higher than at this time last year.

WHEAT: Seedings

A 14-percent reduction in acreage of winter wheat seeded last fall as compared with 1940 was reported at year's end by the United States Department of Agriculture: 39,318,000 acres seeded as compared with 45,663,000 acres in 1940. Reductions were distributed

fairly generally the country over except in a few minor wheat-producing States. The decrease in seeded acreage is in line with the reduced 1942 wheat acreage allotments of the farm program. It was reported, however, that the December 1 condition of the crop—87 percent—was unusually high.

A year earlier, condition was 84 percent—the highest since December 1930. The generally excellent condition of the crop was attributed to ample moisture and warm, open weather which continued the growth until a later date than usual. The early sown wheat, handicapped in some places by insufficient moisture, made good growth after rains came; much of the late sown wheat has had a longer than usual late growing season.

The Department added that present indications point to an abandonment of only 6.6 percent of the seeded acreage, as compared with 13.4 percent abandonment of the acreage seeded in the fall of 1940, and with a 10-year average abandonment of 19.2 percent. . . . Considering all factors, the 1942 winter wheat crop may total about 631 million bushels, or about 6 percent less than the 1941 crop of 671.3 million bushels, the Department said.

Acreage of rye seeded last fall was 6,289,000 acres, as compared with 6,182,000 acres in 1940.

COTTON: Record

Domestic cotton consumption continues to set new high records, further

increases are in prospect during the next few months. Basis is the increasing production of military goods, greatly stimulated now by the entry of the United States into World War II. Despite large supplies of raw cotton, prices in spot cotton markets of the South average about 75 percent higher than at this time last year. Besides the extraordinary demand for cotton goods, a strong price support is the 85 percent of parity loan to producers.

Domestic supply of cotton this season has been estimated at about 23 million bales, or nearly twice the volume of probable domestic consumption and exports. In the first year of entry of the United States in World War I (1916-17) the domestic supply of cotton was only 1½ times consumption plus exports. Of the total supply of 23 million bales for 1941-42, about 7½ million bales are owned or held by the Government as collateral on loans to growers. The remaining, or so-called "free," supply is about 1½ times probable domestic consumption.

Less cotton has gone under Government loan this season than last—only 1½ million bales of the 1941 crop, through December 20, as contrasted with about 2½ million bales of the 1940 crop to the same time a year earlier. Farmers are reported to be holding a considerable proportion of the current crop with the aid of private loans.—FRANK GEORGE

GOALS FOR CANNERY CROPS IN 1942

National goals for the production of cannery crops in 1942 were announced at year's end by the United States Department of Agriculture. The goals: 40 million cases of canned tomatoes, 38 million cases of canned peas, 12.5 million cases of canned snap beans, 24 million cases of canned corn. The 1942 pack goals for these four leading canned vegetables combined exceed by approximately 15 percent

the 1941 record pack of these products.

The goal of 40 million cases of canned tomatoes is about a fourth larger than the 1941 pack, the 38 million cases of canned peas about a third larger than in 1941, the 12.5 million cases of canned snap beans is about the same as the 1941 pack, the 24 million cases of canned corn is about 2 million cases less than the record—

breaking pack of 1941. Secretary Wickard announced that special assistance will be given growers and canners in attaining the unprecedented production of canned tomatoes and canned peas required by the 1942 goals:

1. Establishment of prices at which the Department of Agriculture offers to purchase canned tomatoes and canned peas.

2. Establishment of fair minimum prices which canners should pay to growers of tomatoes and peas for canning before becoming eligible to sell these two products to the Department of Agriculture.

3. Helping growers in obtaining fair contracts with canners of these two vegetables.

4. Aiding cooperating growers and canners in obtaining materials and facilities for producing and canning these vegetables.

The Department of Agriculture, through the Agricultural Marketing Administrator, will purchase all quantities of 1942 canned tomatoes offered to it through December 31, 1942, and all quantities of 1942 canned peas offered to it through October 31, 1942, at base prices of:

- (a) 95¢ per dozen No. 2 cans, f. o. b. cannery, for U. S. Grade C canned tomatoes, and
- (b) \$1.10 per dozen No. 2 cans, Alaskas or Sweets, f. o. b. cannery, for U. S. Grade C canned peas

provided that the canner making the offer in the case of both canned tomatoes and canned peas has been certified by USDA State Defense Boards as having agreed by contract with growers to pay at least the minimum price applying to their particular locality. Such minimum prices to growers shall be not less than \$5 per ton in the case of tomatoes for canning and \$17.50 per ton in the case of peas for canning over the comparable average 1940 prices found by the State Defense Board to have been paid to growers in its State or areas within the State.

In view of the close relationship between tomatoes for canning and tomatoes for products, the Defense Boards will recommend fair prices to

be paid by processors of tomato products in each State or areas thereof comparable to the prices determined for tomatoes for canning (at least the minimum of \$5 per ton over 1940 prices to growers in the State or area thereof). The Department contemplates no purchases of canned tomato products. Neither does it contemplate purchases of canned corn nor canned snap beans.

"We expect all canners to cooperate by contracting acreages to the full extent of their plant capacity and by making their contract prices to growers at least the minimum made possible by the program," Secretary Wickard said. "Moreover, each canner should plan his operations with the view to contributing his share of the supplies needed by the Department. Growers can assure themselves of securing fair prices for their 1942 production only by entering into specific contracts with cooperating canners. Growers entering into these contracts are expected to grow the necessary acreage. This too will prevent wastage which should be reduced to a minimum in the coming year." Growers and canners will be assisted by the Department in obtaining priorities for materials, equipment, and plant facilities required in the production and canning of the vegetables.

Full information concerning the operation of the program for canning vegetables will be supplied growers by the Agricultural Adjustment Administration and the Extension Service in order to assist them in obtaining fair contracts with canners and to insure that the required expansion in acreage of tomatoes and peas for canning will be in line with the canning facilities that are available in the various States and local areas within these States. Growers will be asked to expand acreage only where adequate canning facilities are available and where canners are contracting acreage for at least the minimum prices for canning tomatoes and peas determined by the State Defense Board.

In this program the State Defense Boards will (1) provide leadership in obtaining the necessary increases in acreage and the full utilization of available canning capacity so that each State makes its maximum contribution toward reaching the national goals; (2) recommend to the Department the separate producing areas within the State and fair minimum grower prices applicable to those areas; and (3) certify to the Department individual cannerymen who have agreed to contract with growers for at least these minimum prices.

Stocks of canned tomatoes and peas purchased through the Agricultural Marketing Administrator under the program are intended to be used primarily for lend-lease purposes and for school-lunch distribution. In acquiring supplies, consideration will be given to civilian as well as other Government needs. The canned tomatoes and peas bought are not intended for sale in domestic commercial channels unless domestic commercial prices of these products rise unduly.

Farm Production for Victory

*FARMERS produced in 1941 the biggest volume of food in our Nation's history. Production will be further increased this year—production of milk, eggs, meats, fats, oils, vegetables—for us and our Allies. * * * Assurance is that prices will be supported by Government commodity loans, by purchases under Lend-Lease programs, by food distribution programs in the United States. Food is a front line of victory.*

SECRETARY Wickard said at year's end: "More than 6 million farm families of the Nation are now engaged in a Nation-wide program to produce Food for Freedom. In general—the 1942 production goals call for more milk—and we need to convert more of that milk into cheese, evaporated milk, and dried skim milk; we need more eggs, and more pork; we hope beef cattle raisers will market more of their cattle in 1942; we need more canned vegetables; we need more oil from peanuts and soybeans. At the same time, we need to hold down on our production of three important crops—wheat, cotton, and tobacco.

"We have great stores of wheat and cotton and tobacco on hand; so we're not going to spend labor—which in some sections will be scarce—and farm machinery of which the supply will be limited—and fertilizer and spray materials in producing commodities that we don't need to win the war. That would be wasteful. We

can't afford waste in these times. The same principles which guide the general agricultural planning need to guide our planning for home gardens. Home gardens on the farm enter into our agricultural goals for 1942. We hope for an increase of about a million and a third home vegetable gardens on the Nation's farms."

"A garden on every farm"—a total of 5,760,000 farm gardens—is part of the National Food-for-Freedom goals for 1942. Campaign is urging also the creation of community and school gardens, but cautioning against the conversion of city back yards, parks, playgrounds, or other land unsuited for the purpose into gardens.

"Defense gardens will be a vital part of the Food-for-Freedom program," Secretary Wickard said. "The defense garden program will release a larger amount of commercially grown vegetables for helping Britain and for improving the diets of people in our industrial centers."

TOTAL volume of agricultural production in the United States has increased at the rate of about 1 percent a year since 1909. From 1909 to 1926 the rate of increase was 1.5 percent annually. This upward trend was followed by a relatively stable level of production to 1931, and by a sharp decline in output during the drought years. But from 1935 to 1941 agricultural production again increased sharply, and in 1941 the production of farm products was the largest on record. Large reserves have been accumulated in the Ever-Normal Granary.

Production of both crops and livestock has followed a similar trend from 1909 to date, although production of crops has fluctuated much more from year to year than the production of livestock. Production of all crops increased from 81 percent of the 1935-39 average in 1909 to a record high of 117.4 in 1937, and totaled 109.4 percent in 1941. Production of all types of livestock and livestock and livestock products has tended upward since 1909—the index of production of all livestock increased from 78 percent of the 1935-39 average in 1909-10 to 115 in 1941.

Index Numbers of the Volume of Agricultural Production for Sale and for Consumption in the Farm Home, 1909-41

[1935-39=100]

Year	Crops						Livestock and livestock products				Total
	Grains	Fruits and nuts	Vegetables except truck crops	Truck crops	Cotton and cotton-seed	Total crops ¹	Meat animals	Dairy products	Poultry products	Total livestock and livestock products ²	
1909	110	52	93	31	75	80.9	93	64	69	78.2	79.2
1910	104	54	84	31	89	81.9	89	65	74	78.0	79.5
1911	93	66	76	31	117	85.0	95	66	79	81.7	83.0
1912	119	70	95	35	104	93.5	93	66	76	80.3	85.4
1913	98	54	82	34	107	83.8	92	68	76	80.5	81.8
1914	122	78	87	36	123	99.1	88	69	75	78.8	86.7
1915	135	73	85	35	86	94.6	92	70	79	82.0	86.9
1916	94	66	70	36	89	81.4	99	71	77	84.6	83.3
1917	111	57	100	39	87	87.9	99	72	74	84.5	85.8
1918	118	62	91	45	93	91.9	111	71	76	90.2	90.8
1919	122	64	82	42	87	91.3	108	74	81	91.0	91.1
1920	136	76	91	51	100	102.5	99	73	79	85.9	92.3
1921	119	49	83	43	60	80.1	97	76	81	86.2	83.8
1922	116	80	99	57	73	90.3	106	78	87	92.2	91.5
1923	113	82	93	56	76	90.7	114	81	92	97.8	95.0
1924	115	74	90	66	103	95.7	115	84	92	99.5	98.0
1925	112	74	79	74	122	99.1	107	85	94	96.7	97.6
1926	111	96	85	71	137	105.3	105	87	99	97.6	100.6
1927	119	70	96	74	99	96.3	105	89	103	99.0	98.0
1928	125	95	109	76	110	105.6	107	90	103	100.4	102.4
1929	107	73	90	87	113	98.1	104	93	102	99.8	99.1
1930	96	89	90	91	105	96.1	100	94	107	99.7	98.3
1931	103	98	98	83	127	104.5	103	97	102	101.1	102.4
1932	101	82	100	79	98	92.5	102	98	100	99.9	97.0
1933	73	81	93	76	98	84.7	109	98	101	103.9	96.4
1934	50	86	101	88	74	72.3	118	97	97	106.3	93.1
1935	85	95	104	92	81	88.9	90	97	93	93.1	91.5
1936	66	81	83	96	95	82.1	102	99	99	100.5	93.3
1937	114	113	107	102	144	117.4	96	99	101	98.1	105.6
1938	120	100	102	104	91	104.6	102	102	100	101.6	102.7
1939	115	111	99	106	90	106.9	110	103	107	106.8	106.9
1940 ³	116	106	105	109	97	106.9	118	105	106	111.3	109.6
1941 ⁴	130	115	106	109	84	109.4	120	111	114	115.8	113.3

¹ Includes tobacco, sugar crops, hay, peanuts, soybeans, cowpeas, and hops, and legume and grass seeds in addition to crops in group index numbers.

² Also includes wool and mohair.

³ Preliminary.

⁴ Tentative estimate.

PRODUCTION of grains fluctuated widely during the last 33 years, but showed no pronounced upward or downward trend. Production of cotton also fluctuated widely, and in the last 10 years averaged nearly 10 percent less than in the period 1909-14. But the production of truck crops has tripled, and of fruits and nuts doubled, since 1909. There was a pronounced increase in production of vegetables other than truck crops, of soybeans, peanuts, sugar crops, and tobacco.

Production of meat animals in 1941 was the largest on record—120 percent of the 1935-39 average. Production increased about 25 percent during the last 33 years, as contrasted with an increase of about 60 percent in the output of poultry products, and of 70 percent in production of dairy products. Production of all types of livestock has increased sharply since 1935. National goals call for further increases in production in 1942.

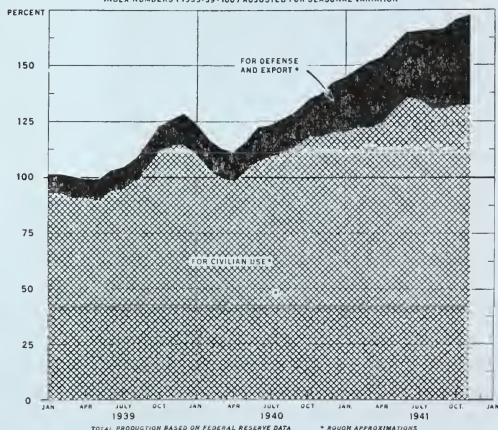
Industrial Production for Victory

BAE reported at year's end that the expanding war effort and the prospective accompanying rise in industrial activity, employment and wages are the principal factors in the favorable outlook for domestic consumer demand. In 1942 the proportion of processed goods for war and exports probably will increase, it was stated, to perhaps 40 percent of the total, and double the estimated 20 percent required for defense and exports in 1941. In 1940 about 10 percent of factory production was for defense or export.

THE accompanying chart shows the course of factory production in the United States—for civilian use, and for defense and export—during the last 3 years. Products for defense and export have represented an increasing portion of the total output of manufactures since the beginning of World War II; but production for civilian use also increased, until June last. Now, with the United States at war against the Axis, domestic economy will be shifted rapidly to a war basis; this means that production of war materials will be an increasing proportion of production for all purposes. (BAE pointed out that these estimates represent only rough approximations, but that they do give some indication of the growing importance of military production in relation to the total volume of factory output.)

BAE said: "Labor troubles will diminish, overtime work will be increased, additional shifts will be more fully utilized. Increased output of commodities such as lead and copper may be obtained by subsidizing or offering higher prices to marginal and

FACTORY PRODUCTION IN THE UNITED STATES, 1939-41
INDEX NUMBERS (1935-39 = 100) ADJUSTED FOR SEASONAL VARIATION



submarginal producers. * * * On the other hand, gains in industrial production will continue to be limited by the shortage of raw materials and the high rates of operation which already have been reached in many lines of activity.

" * * * It is estimated that defense and exports together are at present accounting for around 25 percent of the total output of processed goods, compared with about 15 percent a year ago. Exports now represent about the same proportion of factory production as a year ago, since increased Lend-Lease shipments have accompanied the rise in industrial output and have offset declines in exports of some kinds of goods. This means that the output of defense goods exclusive of Lend-Lease shipments apparently is now twice as large relative to factory production as it was a year ago.

"FURTHER increases in nonagricultural employment and consumer income (which seem likely to accompany the rising war effort) will be the principal factors in the improvement in the domestic demand for farm products. Curtailment of production of civilian goods such as automobiles, household equipment, and residences will tend to increase the proportion of funds available for other types of consumer goods and services—including food, clothing, and amusements. * * * An offsetting factor to the indicated increase in consumer income available for purchases will be the higher taxes in 1942. These may result in lowering net money income after taxes, for some of the higher income groups of consumers. Lower income groups will be little affected by the tax increases to date; it is this group which spends relatively large proportions of its income for food."

BAE estimated that in October 1941, nearly 43 million people were employed in nonagricultural work (exclusive of relief workers but including the military), as compared with slightly more than 38 million a year

earlier; that the compensation of these workers in October was at the annual rate of 63 billion dollars, compared with about 52 billions in October 1940. Continuation of the June to October (1941) rate of gain, it was stated, would carry nonagricultural employee compensation to an annual rate of about 70 billions by October 1942.

THE Office of Production Management issued a new farm machinery order at the beginning of the new year, providing the priority rating necessary for the manufacture of a supply of new farm implements and repair parts to supplement equipment now on farms for use in the production and harvest of 1942 crops. The order assigns to manufacturers of farm machinery a high defense rating, A-3, to enable them to produce approximately 83 percent of new machinery and about 150 percent of repair parts based on the 1940 level.

As a further help to farmers, OPM revised the Steel Warehouse Order, M-21-b, to provide a reasonably adequate supply of bale ties, nails, and wire rope. A new classification of special value to agriculture was created. It includes bale ties, nails, welding rod (uncoated), and wire rope with an A-9 rating provided to secure delivery of 100 percent of the amount supplied in the corresponding quarter of 1940. The warehouse may secure up to 140 percent if supplies are available, but the priority only extends to 100 percent.

Wire, woven fence wire, poultry netting, stucco netting, barbed wire, staples, fence posts and gates, tin and terne plate (short ternes), galvanized sheet and strip are protected by the A-9 rating up to 70 percent, with a maximum 110 percent allowed. The Department of Agriculture pointed out that farmers themselves do not need priority ratings to secure items covered either in the Warehouse Order or Farm Machinery Order, but should obtain their supplies from usual sources.

Trade Agreement with Argentina

THE United States and Argentina concluded, on October 14, 1941, a reciprocal trade agreement that provides for: (1) establishing a firmer and more satisfactory basis for future economic and other relations between the two countries; (2) strengthening the economy of each country and facilitating its efforts toward defense of the Western Hemisphere; and (3) helping each country to obtain from the other the products which it needs, especially for defense purposes, and to market its own exportable products in the other country.

The agreement, signed at Buenos Aires, is the twelfth to be negotiated under the authority of the Trade Agreements Act between the United States and Latin American countries exclusive of supplementary agreements. It is the first commercial agreement to go into effect between the United States and Argentina since 1853, and its beneficial effects in terms of hemispheric solidarity are regarded, both in this country and in Argentina, as highly important.

The agreement was proclaimed by the President of the United States on October 31, 1941, and entered into provisional effect November 15, 1941. It will remain in force for an initial period of 3 years unless terminated earlier under special conditions stipulated in the agreement itself. If neither country gives notice, 6 months before the end of the 3-year period, of its intention to terminate the agreement, it will remain in force indefinitely thereafter, subject to termination by either country on 6 months' notice and subject to the special conditions previously mentioned.

THE Argentine pact not only covers the reduction of excessive tariff rates and the binding of other rates against increase during the life of the agreement, but also provides for the

mitigation of other trade barriers, such as exchange and quota limitations on imports, and includes undertakings by each country for the equitable and non-discriminatory treatment of imports from the other.

These undertakings constitute an approach to sounder and more satisfactory economic relations between the two countries in the future, since both subscribe to the principle of unconditional most-favored-nation treatment. At the same time the agreement, recognizing the existence of certain situations due largely to the war which must be met realistically, provides for certain exceptions to the application of the most-favored-nation policy. The United States makes its usual exception with regard to the special customs relations between this country and Cuba, which have existed since 1902, while Argentina makes an exception in the case of special arrangements between itself and certain neighboring South American countries.

Argentine restrictions on United States exchange were somewhat relaxed in the period between July 1, 1941, and the signing of the agreement on October 14. The Argentine Government has given assurance in the agreement that it will accord to the United States full most-favored-nation treatment in this regard when it is once more able to convert its blocked sterling balance into free currencies and when, at the end of the war, certain temporary exchange advantages now accorded to contiguous countries and to Peru have been terminated. In connection with the agreement Argentina has also given assurance that it will make exchange available, at least in limited amounts, for every United States product on which it has made a tariff concession in the agreement. Since signing the agreement the Argentine Government has made some further relaxations in its exchange re-

strictions affecting imports from the United States.

UNDER the agreement the Argentine Government reduces its tariff rates on commodities of which the value of United States exports to Argentina in 1939 was \$19,327,000 and in 1940, \$19,354,000. Present Argentine rates are bound against increase with respect to commodities of which the United States exports to Argentina were valued at \$13,809,000 in 1939 and at \$12,752,000 in 1940. The full list of products on which the United States obtains concessions from Argentina accounted for 47 percent of this country's total exports to Argentina in 1939 and for 30 percent in 1940. By 1940, the effects of the war upon the Argentine economy had resulted in sharp reductions in Argentine purchases of certain commodities on which concessions are granted to the United States in the agreement.

United States tariffs are reduced, in the agreement, on Argentine products of which this country's imports were valued at \$37,220,000 in 1939 and at \$35,072,000 in 1940. United States tariffs bound against increase in the agreement, including bindings on the free list, cover imports which were valued at \$16,504,000 in 1939 and at \$24,876,000 in 1940. Thus, United States concessions cover commodities accounting for 93 percent of this country's imports from Argentina in 1939, and for 75 percent in 1940. The proportion declined in 1940 largely because of greatly expanded United States purchases from Argentina of apparel wool of grades on which no concession is included in the agreement.

ARGENTINE tariff rates on United States agricultural as well as industrial products are reduced in the agreement. The reductions are of three types: (1) those which came into full effect on November 15, 1941; (2) those which became effective in part on that date and which will become completely effective under "Stage II"

of the agreement, that is, when Argentine customs receipts from import duties exceed 270 million pesos in any calendar year; (3) those which will become effective only when "Stage II" comes into force. The third group includes only five of the 39 tariff reductions contained in the agreement.

All Argentine tariffs which are to be reduced in future under this arrangement are in the meanwhile bound against increase and all tariff bindings included in the agreement became fully effective on November 15. The purpose of the two-stage arrangement for Argentine tariff reductions is to avoid a serious curtailment of Argentine national revenue, a large proportion of which is derived from customs receipts.

The most important foodstuffs which the United States exports to Argentina are fresh and dried fruits. In the agreement Argentina reduces its tariff on fresh apples, pears, and grapes, by 50 percent on a seasonal basis. Its tariff on prunes is reduced by 30 percent and that on raisins by 35 percent. Existing favorable rates on dried apples, peaches, and pears and on cherries and walnuts are bound in the agreement. All tariff reductions on fruits became fully effective on November 15.

Argentine tariffs on canned salmon and canned mackerel are reduced by 40 percent and on sardines by 30 percent, both reductions becoming effective on November 15.

Present moderate Argentine tariff rates on leaf or cut tobacco and on cigarettes are bound in the agreement. There is a growing demand in that country for light-tobacco cigarettes.

SOME Argentine tariff reductions on nonagricultural imports from the United States became effective on November 15, others became partly effective on that date and will become fully effective under "Stage II" of the agreement, and still others will go into effect only under "Stage II." In-

cluded among the nonagricultural concession items are numerous classifications of automobiles, parts, and accessories; radio and other electrical apparatus; automatic refrigerators; agricultural and industrial machinery; and office appliances. Forest products on which the United States obtained concessions include lumber of specified species, plywood, casks, composition board, paper products, and naval stores. Chemicals, paints and related products, motion-picture films, and a long list of miscellaneous articles are numbered among the concession items.

The concessions obtained from Argentina will not only assist United States exporters to sell their products in that country, but will help Argentine citizens to obtain United States goods which they need and which in some cases they are no longer able to obtain from European countries because of the war.

THE principal commodities on which United States tariffs are lowered under the agreement are flaxseed, certain grades of wool, canned beef, cattle hides and skins, casein, tallow and oleo products, neatsfoot oil and stock, quebracho extract, and certain other less important commodities.

Imports of flaxseed, principally from Argentina, have, in recent years, accounted for from 29 percent of United States crushings in 1930 to 86 percent in the drought year 1936. They amounted to 31 percent in 1940. This country's consumption of linseed oil is now at the highest level on record as a result of building and industrial activity stimulated by the defense program. At the same time there is a scarcity of certain other imported oils. Transportation costs for flaxseed imports from Argentina are much higher than they were before the war. A tariff reduction of 50 percent, to 32½ cents a bushel, to be in effect for the duration of the abnormal situation in the flaxseed trade,

tends to offset these higher transportation costs. After the present emergency has passed, the rate on flaxseed under the terms of the agreement may be raised to 50 cents a bushel. This rate would be a reduction of 23 percent from the pre-agreement rate.

UNITED STATES civilian consumption of canned corned beef is ordinarily supplied almost wholly by imports, since the relatively limited domestic production is practically all for Government contracts. Increases in the armed forces of the United States combined with higher consumer buying power in this country, have expanded the demand for canned beef imports, practically all of which are canned corned beef. Yet these imports of canned beef have, on the average, been equal in the period 1935-39, to only 2.6 percent (dressed-weight basis) of domestic production of beef and veal. The United States tariff on canned beef is reduced in the agreement from 6 cents per pound, but not less than 20 percent ad valorem, to 3 cents per pound, but not less than 20 percent ad valorem.

Under the Argentine agreement, United States tariffs on certain coarse wools, used principally in overcoatings and blankets, have been reduced. Domestic production of these grades represents an infinitesimal proportion of total United States wool production and this country's wool consumption in 1941 is reported to be the highest for any year on record.

United States needs for leather goods regularly require imports of cattle hides and skins of certain grades of which domestic production is insufficient. Military requirements for shoes and other leather equipment have been added to an expanded civilian demand. The United States tariff on cattle hides and skins is reduced in the agreement from 10 percent ad valorem to 5 percent ad valorem.

IN addition to the above-named concessions, the United States grants

seasonal reductions of 50 percent in its tariffs on fresh grapes, plums, prunes, and asparagus. These concessions will assist United States consumers to obtain these products at more reasonable prices during the off-seasons when United States crops are not being marketed in volume. Existing United States tariff rates on fresh pears, alfalfa seed, processed maté, glycerin, and mica are bound against increase. In notes exchanged at the time of the signing of the agreement the Argentine Government commits itself in principle to voluntary limitation of the quantity of fresh pears to be shipped to the United States from that country during 1942, and proposes that arrangements for such limitation be discussed by the joint commission to be established under the agreement.

Still another group of products on which United States tariffs are reduced

or bound includes commodities which this country usually obtains principally from countries other than Argentina but which are no longer obtainable from usual sources because of the war. Depending upon circumstances, these concessions may be terminated by the United States after the war. Cheese of certain specified Italian types is the principal commodity in this group on which a tariff reduction has been made. Other products in this group on which tariffs have been reduced or bound under the agreement are: Medicinal preparations of animal origin; beryllium oxide and carbonate; sunflower oil; canned anchovies; macaroni and similar alimentary pastes; canned tomatoes; brandies, wines, bitters, and liqueurs; and certain dressed furs and furskins.

VERNON E. BUNDY,
Department of State.

Fewer, Bigger Farms

FARMS in the United States decreased in number but increased in size during the last 10 years. Total land in farms is larger than in 1930. The agricultural census put the number of farms at 6,096,799 in 1940, as compared with 6,288,648 in 1930. The average size of farms was 174 acres in 1940, as contrasted with 157 acres in 1930. Total land in farms was 1,060,852,374 acres in 1940, as compared with 986,771,016 acres in 1930.

* * *

Farm population increased during the first half of the decade, then decreased; the total of 30,475,206 in 1940 compares with 30,445,350 in 1930. States having largest farm population include Texas (2,165,611 people in 1940), North Carolina (1,654,123), Mississippi (1,405,749), Georgia (1,369,719), Alabama (1,344,349), Tennessee (1,276,437). Other States

having more than 1,000,000 of farm population include Ohio, Missouri, Kentucky, and Arkansas.

* * *

The number of full-owner farm operators increased during the decade (from 2,911,644 in 1930 to 3,084,138 in 1940), and the number of part-owners decreased (from 656,750 in 1930 to 615,099 in 1940). The number of tenants decreased from 2,664,365 in 1930 to 2,361,271 in 1940, a large part of this decrease being in the number of share croppers (from 776,278 share croppers in 1930 to 541,291 in 1940).

* * *

Sixty years ago, about 26 percent of all farms in the United States were operated by tenants. The proportion increased during the next 50 years; in 1930 about 42 percent of the farms were operated by tenants. In 1940, the census showed that about 39 per-

cent of the farms were operated by tenants. Much of the decrease during the last decade was a change in the status of many sharecroppers in the South to "wage hands," "resident laborers," or regular farm laborers.

* * *

Census returns indicated there were

1,500,000 tractors on farms in 1940, as contrasted with 1,000,000 in 1930; that the total number of horses and mules, 27 months old and over, decreased from 17,611,905 to 13,028,863 during this 10-year period. Seventy-four percent of all farms had milk cows in 1940, 62 percent had hogs and pigs, 85 percent, poultry.—F. G.

Farmer's Share of the Consumer's Dollar

For a number of years the Bureau of Agricultural Economics has been studying the spreads between farm and retail prices of 58 foods, analyzing the changes in techniques and costs of food distribution, recommending ways of securing greater efficiency in the production and distribution of foods. These price and service studies have been of value in the development and administration of farm programs in recent years; they are being expanded now in this period of war emergency and price control to cover a larger number of foods in the American dietary. Studies are being made also of farm to retail price spreads on commodities such as cotton, wool, and tobacco.

The accompanying article brings to date the price margins on 58 foods, and shows the changes which have occurred during the first two years of World War II. Presented also is a brief analysis of mill margins in the manufacture of cotton goods. Results of studies of farm-to-retail price spreads of cotton, wool, and tobacco will be reported as they become available, in coming issues of THE AGRICULTURAL SITUATION.—Ed.

of pronounced increases in industrial production, employment, and labor earnings.

Tables 1 and 2 show the changes in farm prices, retail prices, and margins covering 58 foods bought by the average workingman's family during World War I, the late 1930's, and in selected months of the last 3 years. They show that the cost to consumers of the 58-food basket averaged \$342 in 1941, an increase of \$28 or 9 percent above 1940 and of \$10 or 3 percent above the average of the 5 years preceding World War II. The 1941 level of retail prices of these domestic food products was the same as for 1936 and was 3 percent below the cost in 1937.

Retail cost of the 58 foods rose from \$321 in March 1941 to \$365 in November, an increase of nearly 14 percent within 8 months. The Bureau of Labor Statistics reports that by mid-October 1941, city workers' costs of living had risen more than 9 percent above the pre-war 1935-39 average. In this increase, foods costs were higher by 12 percent and clothing costs were up 13 percent.

In November 1941 the combined retail value of all 58 food items was about 17 percent higher than in November 1940. During the year, retail prices of most individual food items increased, but in varying degree. The group of important pork products including lard rose 35 percent at retail while beef cuts showed a negligible change. Although pork was high as compared with 1940, its retail price

FOOD Retail prices of food have advanced sharply since the spring of 1941, with most of the increase going to farmers. The rise in retail prices followed an 18-month period of stable food prices after the beginning of war in Europe in September 1939; the increase in prices since March 1941 has been the result

was almost identical with the pre-war 5-year average for 1935-39. Dairy products as a group rose more than 16 percent from November 1940 to November 1941 and eggs at 52 cents per dozen were up 28 percent, both items showing even greater increases above the 1935-39 level. White bread at 8.6 cents per pound was up 10 percent over November 1940, while white potatoes were up about 37 percent.

MOST of the increase in retail prices during 1941 was passed back to farmers in higher farm prices, the price spread or marketing charge absorbing a relatively small proportion of the increase. (Charges for marketing include costs and profits of marketing agencies and are equal to the spread between prices paid by consumers for products at retail and payments to farmers for equivalent quantities of farm produce. The farm to retail spread includes charges for all marketing services between farmers and consumers, for local

assembly, transportation, storage, processing, and wholesale and retail distribution.)

Marketing charges as measured by the margin for the 58 foods declined from \$182 in 1940 to \$179 in 1941. The downward trend in margins has persisted since 1937. The 1941 margin was 6 percent below the pre-war 1935-39 average of \$191. The shrink in the margin from 1940 to 1941 meant that the \$28 increase in consumer spendings for food was passed back to the farmer in full plus a \$3 reduction in margins, yielding a \$31 increase in farm value, which rose by 23 percent from \$132 in 1940 to \$163 in 1941. But from September through November last year most of the \$8 rise in retail value was absorbed by higher margins.

Labor costs are probably the largest single item of expense in marketing. Table 3 shows the recent course of hourly earnings in the marketing of food and fiber products of the farm. Hourly earnings in food marketing were 10 percent above pre-war by September 1941 and were 5 percent above 1940.

Table 1.—Annual Family Purchases of 58 Foods

Year	Cost at retail	Paid to farmers	Marketing margins	Farmers' share of retail value
	<i>Dollars</i>	<i>Dollars</i>	<i>Dollars</i>	<i>Percent</i>
1913.....	252	134	118	53
1914.....	258	137	121	53
1915.....	258	134	124	52
1916.....	285	155	130	54
1917.....	370	223	147	60
1918.....	424	245	179	58
1919.....	470	267	203	57
1920.....	514	272	242	53
1921.....	404	179	225	44
1929.....	415	195	220	47
1932.....	270	88	182	33
1935 ¹	331	138	193	42
1936.....	342	152	190	44
1937.....	353	160	193	45
1938.....	321	130	191	40
1939.....	311	126	185	41
1935-39 average ¹	332	141	191	42
1940.....	314	132	182	42
1941 ²	342	163	179	48

Table 2.—Annual Rate of Family Purchases of 58 Foods for Selected Months of 1939-41

Year and month	Cost at retail	Paid to farmers	Marketing margins	Farmers share of retail value
	<i>Dollars</i>	<i>Dollars</i>	<i>Dollars</i>	<i>Dollars</i>
1929.....	415	195	220	47
1935-39 Average ¹	332	141	191	42
1939—Aug.....	303	118	185	39
Sept.....	319	134	185	42
1940—Mar.....	313	129	185	41
Sept.....	314	132	182	42
Nov.....	313	139	174	44
1941—Mar.....	321	141	180	44
Apr.....	327	151	176	46
May.....	351	153	178	46
June.....	345	161	184	47
July.....	348	171	177	49
Aug.....	348	173	175	50
Sept.....	357	182	175	51
Oct.....	361	180	181	50
Nov.....	365	183	182	50

¹ No allowance is made for processing taxes on these food products amounting to about \$11 in 1935.

² Preliminary estimates.

Basic price data from U. S. Bureau of Labor Statistics and the Agricultural Marketing Service. 58 retail items combined in quantities representing annual purchases by a typical working man's family.

Transportation charges also are an important part of marketing cost. The recent wage rate increase granted to railroad employees will probably raise average hourly earnings on steam railways by at least 10 percent. But it does not necessarily follow that this increase will be or should be translated into correspondingly higher rates on farm products. Some students of prices and costs point out that the increase in net income of class I railways from late 1940 to 1941 exceeds the prospective increase in the compensation of railway employees.

VARIOUS reasons are given for the decline in food marketing margins in the face of rising wage costs in processing, transportation, and distribution in recent years. One is that the supermarket and its influence upon the whole field of competitive food distribution have effected important economies in the retailing of foods. One of these economies is a reduction in labor requirements, or rather a change in the distribution of labor whereby much labor formerly employed in retailing is now performed by the purchaser of foods.

It is pointed out also that labor pro-

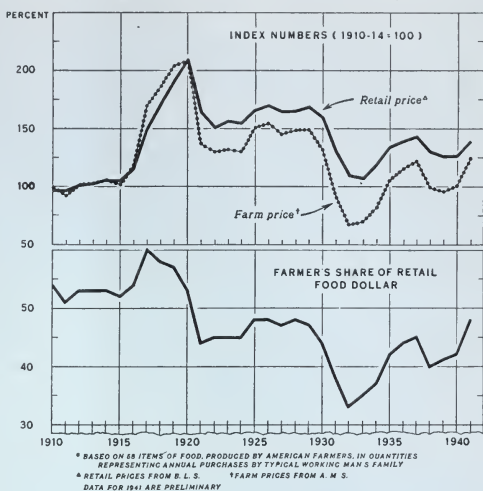
TABLE 3.—Hourly Earnings in Marketing Enterprises, Indexes, 1935-39=100

Year and month	Food processing	Steam rail ways	Retailing	Food marketing ¹	Cotton goods processing
1935.....	91	96	97	95	97
1936.....	92	96	97	96	95
1937.....	102	99	103	102	106
1938.....	106	105	101	103	102
1939.....	108	104	102	104	100
1940.....	110	105	101	105	106
September 1941..	115	104	106	110	124

¹ Weighted composite of earnings in food processing, steam railways, wholesaling, and retailing.

U. S. Bureau of Labor Statistics and the Interstate Commerce Commission.

RETAIL AND FARM PRICES OF FOODS, UNITED STATES, 1910-41*



ductivity has increased more rapidly than wage rates in the processing industries, with a consequent reduction in labor costs per unit of product. Despite refinements in processing and packaging foods, the total cost per unit may be less than it was a decade or so ago. The volume of national food production also has increased steadily since 1935, permitting fuller utilization of capacity by marketing agencies.

Another consideration is that farm and retail prices in any one month are not strictly comparable since many foods sold are processed from commodities bought from farmers weeks and in some cases months earlier. Thus, on a rising market the actual spread between farm and retail prices of identical foods may be much wider than appears from price comparisons within any one month. When prices are rising, dealers who mark up sales prices over actual cost and who carry sizeable inventories are able to show narrower margins between current sales prices and current replacement costs. This provides an incentive to build up inventories and take a higher mark-up over cost. There is evidence that manufacturer's and dealer's stocks of food products were much larger in

late summer than in early spring of 1941.

ALTHOUGH food costs rose appreciably during 1941 they remain considerably below food costs in the so-called "prosperity" years of 1920 and 1929. In September 1941 a workingman's family could purchase the basket of 58 foods for \$357. The same foods cost \$415 in 1929 and \$514 in 1920. The rate of annual earnings per employed factory worker was higher in September 1941 than at the prosperity peaks of 1920 or 1929. In September the typical factory worker's earnings were 15 percent higher than the 1929 average while the food basket could be purchased at a reduction of \$58, or 14 percent; and the worker's rate of annual earnings was 10 percent higher than the 1920 prosperity peak following World War I, yet cost of the food basket was \$157 less than in 1920, a difference of 30 percent in food outlay.

COTTON In contrast with food price margins, available figures show that mill margins taken by processors over a representative group of unfinished cotton textiles rose to the highest levels in 17 years of

record during early 1941. Beginning in May 1941, the Office of Price Administration placed ceilings on prices of cotton mill products. In October a new policy was adopted fixing in effect a ceiling on the mill margin, thus insuring that any further rise in prices of mill products should be reflected in full in prices of lint cotton. The margin ceilings have been set near the 1941 record highs.

Prices of cotton products have risen much more rapidly than prices of other textile products as a group. From October 1940 to October 1941 the wholesale price index of cotton goods rose by 47 percent, while wholesale prices of woolen and worsted goods rose by 19 percent. Mill consumption of both cotton and wool are at record high levels requiring third-shift mill operation in certain classes of products.

Mill margins taken by spinners and weavers of cotton grey fabrics rose during 1941 to the highest levels on record. Table 4 lists comparable wholesale values of cotton and cloth per pound of lint cotton. During 1941 the cotton processing margin rose to levels about 2 cents higher than the previous maximum for 1925-40. Mill consumption of cotton is being maintained at record levels which tax the capacity of processing plants. During November cotton spindles were active on the average about 104 hours per week, compared with 85 hours a year earlier. The high level of capacity utilization should afford reductions in per unit overhead costs. As shown in table 3, hourly earnings in cotton processing rose by September 1941 to 24 percent above the pre-war 1935-36 level. Until 1940, physical productivity per man-hour in cotton mills was rising more rapidly than hourly earnings so that labor costs per unit of product were decreasing. At present levels of output it is possible that labor productivity has declined.

Table 4.—Cotton Products: Mill Margins and Prices Received by Farmers

Year and month	Farm price per pound of lint	Whole-sale cotton per pound of lint	Whole-sale cloth value	Mill margin
	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>
1935-39 average ¹	11.1	11.8	24.7	12.9
1940.....	9.6	10.3	22.5	12.3
1941-Jan.....	9.4	10.2	25.2	14.9
Apr.....	10.4	11.2	31.0	19.8
July.....	14.3	15.6	34.7	19.2
Oct.....	16.6	16.6	37.1	20.4
Nov.....	15.8	16.5	36.8	20.3

¹ 4 cents processing tax per pound of lint cotton was added to the farm prices and the wholesale price for 1935.

Agricultural Marketing Service.

Wholesale cloth values and mill margins are simple averages for 17 unfinished constructions per pound of lint cotton.

R. O. BEEN.

Income of Typical Dairy Farms, Wisconsin

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THE purchasing power of net farm income of typical dairy farmers in Wisconsin has been above 100 percent of 1910-14 in 20 of the past 32 years.¹ During the period 1935-41 the purchasing power of these farmers averaged 115. This has been accomplished only by doing more business in recent years. These farmers now handle larger herds and know how to breed and cull for herd improvement. The dairy enterprise is the major factor affecting their operations and the resulting income. From 1937 to 1939, income from dairy products, cattle, and calves represented about 75 percent of the gross income on typical dairy farms in this region.

An increasing portion of the gross income of these farmers has been coming from the dairy. In part, this increased emphasis may be due to attempts to increase volume as a means of maintaining income in spite of lower prices; or, in part, it may be merely a reflection of the advantage that dairying holds over other enterprises in this region.

From 1916 to 1929, the prices of dairy products were relatively high. This favorable situation induced farmers to increase their size of herd and production per cow. The typical Wisconsin dairyman increased his herd from 13 head in 1910 to 16 head in 1929, and production per cow from 5,400 to 6,300 pounds.

Prices of dairy products, like prices of most farm products, declined after 1929 and in 1932 were the lowest in the entire 32-year period. In spite of lower prices, the number of dairy cows

in the typical herd continued to increase until 1934, although farmers did reduce the quantity of feed per milk cow and relaxed in their culling of cows and in the selection of sires. The average production per cow milked declined from 6,300 pounds in 1929 to 5,600 in 1934.

Prices began to strengthen in 1934, and the production per cow gradually increased until, in 1940, it was approximately equal to the record high of 1929. (Increasing production per cow through better breeding is a long and slow process and progress is not maintained during protracted periods of low prices. It appears that breeding is not the quick way to increase milk production per cow, but short-time increases have been made in most herds by careful selection of new cows, culling, heavier feeding and better management.)

THROUGH the years covered by this study, changes in farm organization and prices have been reflected in farm income. With the increase in demand for dairy products in World War I and the resultant high prices the index of net farm income rose from 103 percent of the 1910-14 average in 1915 to a high of 280 in 1919. The post-war depression brought the index down to 133 in 1921 and 1922. It recovered from 1924 to 1929, and in this period stood at slightly more than 190 percent of the 1910-14 base. An increase in the number of cows, a higher production per cow, together with an average of \$2.00 per cwt. for whole milk at condenseries, were the principal factors in this recovery.

Unfavorable prices and reduced amounts of roughage produced on the farms because of low yields caused by the drought brought the index to less than 60 in 1933. A combination of comparatively high yields of both

¹ Net farm income as used here is the amount of money which the farm operator receives from farm operations during the calendar year to compensate himself and unpaid members of the family for services rendered on the farm and for the farmer's own investment. Account is taken throughout the period of changes in technology, efficiencies in production, mechanization, size of farm and organization.

grains and roughage, and increased production of high quality roughages, together with heavier feeding and increased output per cow, resulted in an index of net farm income of 145 during the period 1935-41.² The number of milk cows in the herd was slightly less and the price of milk somewhat higher in this period than during the depression period 1930-34. The price of milk in 1935-41, however, was only 3.5 percent higher than in 1910-14.

ALTHOUGH the size of farm and the acreage in crops have remained practically unchanged over the 32-year period, there has been quite a change in the kind of crops grown. The acreages in corn silage and hays, particularly alfalfa hay, have increased materially since 1910. In 1910-14 the typical dairy farm had about 17 acres in hay whereas in 1937-39 it had nearly 23 acres. The typical dairy farmer has more than doubled silage production since 1910-14.

The typical dairy farmer in Wisconsin now has six times more acreage in alfalfa than he had thirty years ago. The increase in alfalfa hay on the farm has resulted in an increase in yield and quality of all hay. In 1937-39 total hay production was 45.7 percent greater than in 1910-14 and 21.6 percent greater than in 1928-32.

The typical Wisconsin dairy farmer normally attempts to produce all the farm-grown feeds required. But periods of low yields and production are not infrequent, and the farmer is forced to buy feeds or alter his farming operations. If the period is of long duration it may mean a total reduction in amount of feed fed and a reduced output of milk. (A similar situation occurred in the period 1930-34.) On the other hand, if yields of certain crops are low in a given year while yields of other crops are high in the same year a shift in amounts of each fed may be made; or if prices are favor-

able, purchases of feeds, particularly commercial feeds, may assume considerable proportions and production of milk maintained. Generally around 20 percent of farm expenditures is for feeds.

PURCHASING power of net farm income is a ratio, expressed as a percentage of the index of prices Wisconsin farmers pay for commodities used for family maintenance to the index of net farm income, both based on 1910-14 as 100. The index of purchasing power of net farm income over the 32 years covered has averaged 104.8 percent of the average 1910-14. It averaged 118.7 from 1924 to 1929 and 67.8 from 1930 to 1934. Since 1934 it has averaged 115.4 percent.

The typical farm operator now has a higher income level than in 1910-14, but has maintained this position only by doing more business. The increase in his business can be estimated from the increase in number of milk cows.

Organization of Typical Dairy Farms Wisconsin—1937-39

	<i>Average 1937-39</i>
Land in farm, acres.....	113.3
Land cultivated, acres.....	84.9
Percentage of farm cultivated.....	74.9
Corn for grain, acres.....	9.7
Corn for silage, acres.....	11.1
Oats, acres.....	20.8
Other small grain, acres.....	10.7
Hay, acres.....	22.8
Rotation pasture, acres.....	6.5
Garden, orchard & truck, acres.....	3.3
Permanent pasture, acres.....	17.4
Farmstead, roads & waste, acres.....	11.0
Milk cows, number.....	17.3
Hogs produced (hundredweight).....	26.8
Laying hens, number.....	89.0
Horses, number.....	3.2

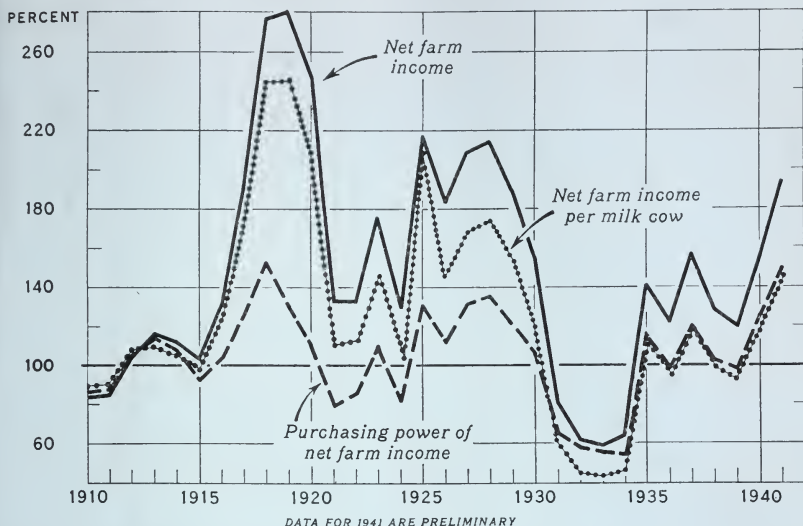
Proportion of Gross Income from Various Sources

Item:	<i>Percent of total</i>
Dairy products.....	58.7
Cattle and calves.....	14.4
Hogs.....	8.8
Poultry.....	1.7
Eggs.....	5.8
Crops.....	6.6
Other.....	4.0
Total.....	100.0

² The index in 1941 is based on milk at \$1.91 per cwt.

TOTAL NET FARM INCOME, PURCHASING POWER OF INCOME, AND INCOME PER MILK COW, TYPICAL DAIRY FARMS, WISCONSIN, 1910-41

INDEX NUMBERS (1910-14=100)



By this criterion, the 1937-39 farm plant was 30 percent larger than the 1910-14 farm plant. (No material change occurred in either crop acres or total acres per farm throughout the 32 years). A rough measure of where the farmer's income position would be if he had not increased his business can be obtained by estimating the changes in farm income per cow. This can be approximated by dividing the index of net farm income by the index of num-

ber of milk cows per farm both based on 1910-14. The index of net farm income per milk cow per farm has been below the index of net farm income in every year since the base period, because the number of milk cows per farm has been higher throughout the period than in 1910-14. From 1935 to 1941 the income per cow was 111 percent of the 1910-14 base, while the index of net farm income stood at 145.

WYLIE D. GOODSSELL.

FOOD STOCKS: Up

Year-end stocks of agricultural products used wholly or in part for food bulked larger than at the end of 1940. Larger stocks of wheat and corn, pork, chickens, fluid milk and cream, condensed and evaporated milk, butter, cheese, sweetpotatoes, and dry edible beans were reported; smaller stocks of rice, beef and veal, turkeys, eggs, lard and other edible fats and oils, and potatoes.

In a year-end survey of the food situation, the Department of Agriculture said that total supplies of food in the United States are the largest on record,

and are expected to reach a new high level in 1942. Good crops in 1941 and large Ever-Normal Granary supplies have built up large stocks of foodstuffs and feedstuffs, it was stated. Supplies of high-protein feeds, grain, and hay were reported as larger than a year ago.

The supply of feed grains is the biggest in 20 years, the Department said. The number of livestock on farms is increasing, and probably is about 5 percent larger than a year ago. With average pasture conditions, a material increase in livestock production is expected in 1942.

Economic Trends Affecting Agriculture

Year and month	Industrial production (1935-39 = 100) ¹	Income of indus- trial workers (1935-39 = 100) ²	Cost of living (1935-39 = 100) ³	Whole- sale prices of all com- modi- ties ⁴	1910-14 = 100 Prices paid by farmers for commodities used in— ⁵			Farm wages	Taxes ⁶
					Living	Produc- tion	Living and pro- duction		
1925.....	90	126	125	151	164	147	157	176	270
1926.....	96	131	126	146	162	146	155	179	271
1927.....	95	128	124	139	159	145	153	179	277
1928.....	99	127	123	141	160	148	155	179	279
1929.....	110	134	122	139	158	147	153	180	281
1930.....	91	110	119	126	148	140	145	167	277
1931.....	75	85	109	107	126	122	124	130	253
1932.....	58	59	98	95	108	107	107	96	219
1933.....	69	61	92	96	109	108	109	85	187
1934.....	75	76	96	109	122	125	123	95	178
1935.....	87	87	98	117	124	126	125	103	180
1936.....	103	100	99	118	122	126	124	111	182
1937.....	113	117	103	126	128	135	130	126	187
1938.....	89	91	101	115	122	124	122	125	186
1939.....	108	105	99	113	120	122	121	123	190
1940.....	123	119	100	115	121	124	123	126	-----
1940—December.....	139	135	101	117	122	125	123	-----	-----
1941—January.....	140	138	101	118	-----	-----	123	124	-----
February.....	144	139	101	118	-----	-----	123	-----	-----
March.....	147	141	101	119	124	125	124	-----	-----
April.....	144	142	102	121	-----	-----	124	138	-----
May.....	154	157	103	124	-----	-----	125	-----	-----
June.....	159	167	105	127	129	128	128	-----	-----
July.....	160	173	105	130	-----	-----	130	160	-----
August.....	160	174	106	132	-----	-----	133	-----	-----
September.....	161	177	108	134	136	135	136	-----	-----
October.....	163	178	109	135	-----	-----	139	165	-----
November.....	167	181	110	135	-----	-----	141	-----	-----
December ⁷	-----	-----	-----	137	-----	-----	143	-----	-----

Year and month	Index of prices received by farmers (August 1909-July 1914=100)								Ratio prices of received to prices paid
	Grains	Cotton and cotton-seed	Fruits	Truck crops	Meat animals	Dairy products	Chickens and eggs	All groups	
1925.....	157	177	172	153	140	153	163	156	99
1926.....	131	122	138	143	147	152	159	145	94
1927.....	128	128	144	121	140	155	144	139	91
1928.....	130	152	176	159	151	158	153	149	96
1929.....	120	144	141	149	156	157	162	146	95
1930.....	100	102	162	140	133	137	129	126	87
1931.....	63	63	98	117	92	108	100	87	70
1932.....	44	47	82	102	63	83	82	65	61
1933.....	62	64	74	105	60	82	75	70	64
1934.....	93	99	100	103	68	95	89	90	73
1935.....	103	101	91	125	118	108	117	108	86
1936.....	108	100	100	111	121	119	115	114	92
1937.....	126	95	122	123	132	124	111	121	93
1938.....	74	70	73	101	114	109	108	95	78
1939.....	72	73	77	105	110	104	94	93	77
1940.....	85	81	79	114	103	113	96	98	80
1940—December.....	81	79	75	93	111	128	122	101	82
1941—January.....	84	80	78	117	130	121	100	104	85
February.....	81	80	80	156	130	118	90	103	84
March.....	84	82	83	134	129	118	90	103	83
April.....	90	88	89	161	137	121	104	110	89
May.....	93	98	89	146	138	124	107	112	90
June.....	96	107	97	146	144	126	118	118	92
July.....	98	121	93	130	154	132	127	125	97
August.....	99	128	100	133	158	135	130	131	98
September.....	106	150	89	145	166	140	141	139	102
October.....	101	144	107	164	157	145	146	139	100
November.....	103	136	98	147	151	148	157	135	96
December.....	112	138	98	156	160	148	153	143	100

¹ Federal Reserve Board, adjusted for seasonal variation. Revised September 1941.

² Adjusted for seasonal variation. Revised November 1941.

³ Bureau of Labor Statistics.

⁴ Bureau of Labor Statistics index with 1926=100, divided by its 1910-14 average of 68.5.

⁵ These indexes are based on retail prices paid by farmers for commodities used in living and production reported quarterly for March, June, September, and December. The indexes for other months are interpolations between the successive quarterly indexes.

⁶ Index of farm real estate taxes per acre. Base period represents taxes levied in the calendar years 1909-13, payable mostly within the period Aug. 1, 1909-July 31, 1914.

⁷ Preliminary.

NOTE.—The index numbers of industrial production and of industrial workers' income shown above are not comparable in several respects. The production index includes only mining and manufacturing; the income index also includes transportation. The production index is based on volume only, whereas the income index is affected by wage rates as well as by time worked. There is usually a time lag between changes in volume of production and workers' income, since output can be increased or decreased to some extent without much change in the number of workers.